Medi-Cal DRG Project

Briefing on Hospital DRG Base Prices for NDPHs

July 17, 2013

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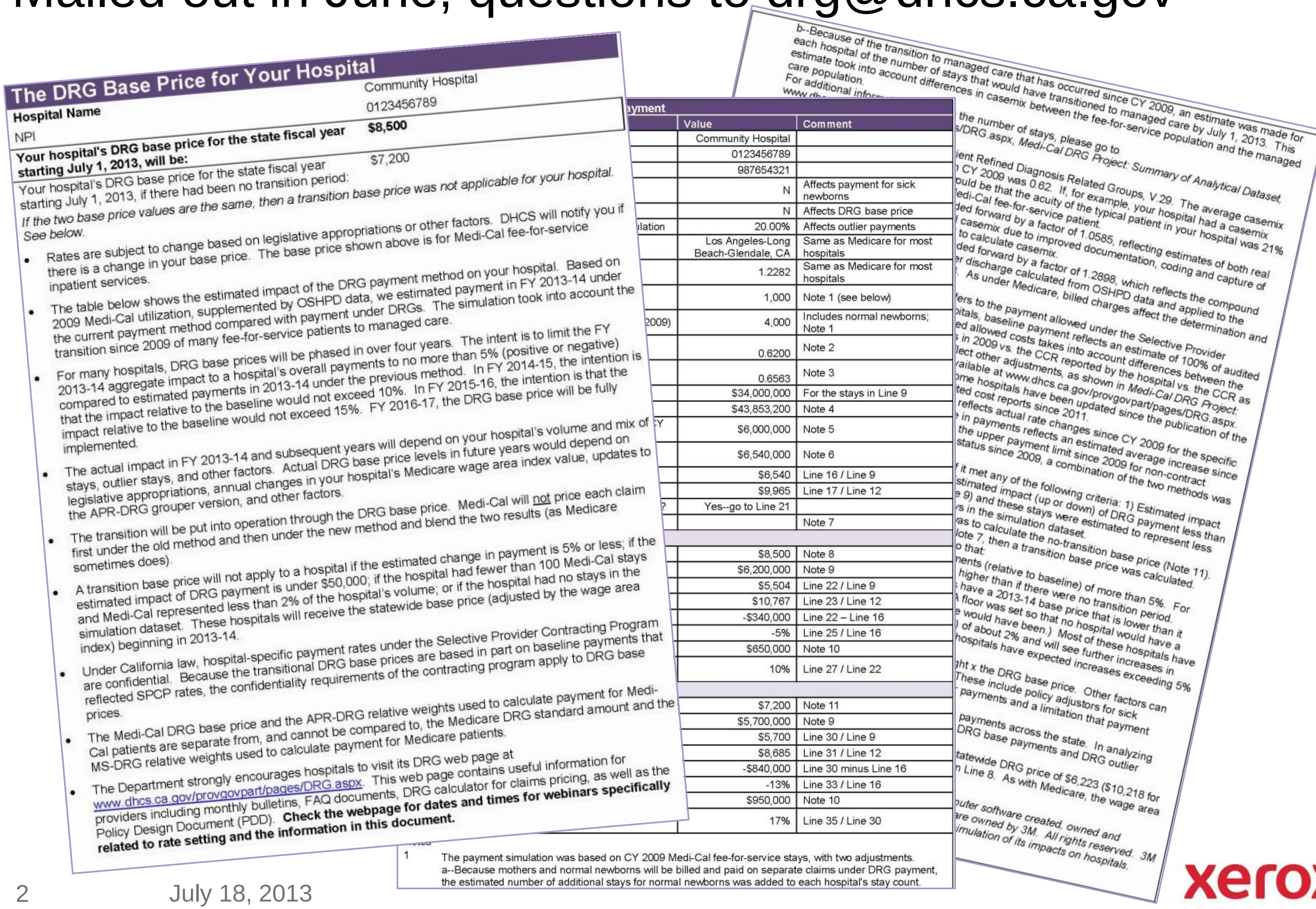
Hospital Base Price Notification

- Mailed out in June; questions to drg@dhcs.ca.gov



The DRG Base Price for Your Hospital

Hospital Name	Community Hospital
NPI	0123456789
Your hospital's DRG base price for the state fiscal year starting July 1, 2013, will be:	**$8,500**
Your hospital's DRG base price for the state fiscal year starting July 1, 2013, if there had been no transition period:	$7,200

If the two base price values are the same, then a transition base price was not applicable for your hospital. See below.

- Rates are subject to change based on legislative appropriations or other factors. DHCS will notify you if there is a change in your base price. The base price shown above is for Medi-Cal fee-for-service inpatient services.
- The table below shows the estimated impact of the DRG payment method on your hospital. Based on 2009 Medi-Cal utilization, supplemented by OSHPD data, we estimated payment in FY 2013-14 under the current payment method compared with payment under DRGs. The simulation took into account the transition since 2009 of many fee-for-service patients to managed care.
- For many hospitals, DRG base prices will be phased in over four years. The intent is to limit the FY 2013-14 aggregate impact to a hospital's overall payments to no more than 5% (positive or negative) compared to estimated payments in 2013-14 under the previous method. In FY 2014-15, the intention is that the impact relative to the baseline would not exceed 10%. In FY 2015-16, the intention is that the impact relative to the baseline would not exceed 15%. FY 2016-17, the DRG base price will be fully implemented.
- The actual impact in FY 2013-14 and subsequent years will depend on your hospital's volume and mix of stays, outlier stays, and other factors. Actual DRG base price levels in future years would depend on legislative appropriations, annual changes in your hospital's Medicare wage area index value, updates to the APR-DRG grouper version, and other factors.
- The transition will be put into operation through the DRG base price. Medi-Cal will not price each claim first under the old method and then under the new method and blend the two results (as Medicare sometimes does).
- A transition base price will not apply to a hospital if the estimated change in payment is 5% or less; if the estimated impact of DRG payment is under $50,000; if the hospital had fewer than 100 Medi-Cal stays and Medi-Cal represented less than 2% of the hospital's volume; or if the hospital had no stays in the simulation dataset. These hospitals will receive the statewide base price (adjusted by the wage area index) beginning in 2013-14.
- Under California law, hospital-specific payment rates under the Selective Provider Contracting Program are confidential. Because the transitional DRG base prices are based in part on baseline payments that reflected SPCP rates, the confidentiality requirements of the contracting program apply to DRG base prices.
- The Medi-Cal DRG base price and the APR-DRG relative weights used to calculate payment for Medi-Cal patients are separate from, and cannot be compared to, the Medicare DRG standard amount and the MS-DRG relative weights used to calculate payment for Medicare patients.
- The Department strongly encourages hospitals to visit its DRG web page at www.dhcs.ca.gov/provgovpart/pages/DRG.aspx. This web page contains useful information for providers including monthly bulletins, FAQ documents, DRG calculator for claims pricing, as well as the Policy Design Document (PDD). **Check the webpage for dates and times for webinars specifically related to rate setting and the information in this document.**

Value	Comment
Community Hospital	
0123456789	
987654321	
N	Affects payment for sick newborns
N	Affects DRG base price
20.00%	Affects outlier payments
Los Angeles-Long Beach-Glendale, CA	Same as Medicare for most hospitals
1.2282	Same as Medicare for most hospitals
1,000	Note 1 (see below)
4,000	Includes normal newborns; Note 1
0.6200	Note 2
0.6563	Note 3
$34,000,000	For the stays in Line 9
$43,853,200	Note 4
$6,000,000	Note 5
$6,540,000	Note 6
$6,540	Line 16 / Line 9
$9,965	Line 17 / Line 12
Yes--go to Line 21	
	Note 7
$8,500	Note 8
$6,200,000	Note 9
$5,504	Line 22 / Line 9
$10,767	Line 23 / Line 12
-$340,000	Line 22 – Line 16
-5%	Line 25 / Line 16
$650,000	Note 10
10%	Line 27 / Line 22
$7,200	Note 11
$5,700,000	Note 9
$5,700	Line 30 / Line 9
$8,685	Line 31 / Line 12
-$840,000	Line 30 minus Line 16
-13%	Line 33 / Line 16
$950,000	Note 10
17%	Line 35 / Line 30

1 The payment simulation was based on CY 2009 Medi-Cal fee-for-service stays, with two adjustments.
a--Because mothers and normal newborns will be billed and paid on separate claims under DRG payment, the estimated number of additional stays for normal newborns was added to each hospital's stay count.

b--Because of the transition to managed care that has occurred since CY 2009, an estimate was made for each hospital of the number of stays that would have transitioned to managed care by July 1, 2013. This estimate took into account differences in casemix between the fee-for-service population and the managed care population.

Topics

1. Overview of DRG payment
2. Walk-through of base price notification
3. Other topics

Scope of DRG Payment

- As directed by the legislature (SB 853, October 2010)
- Replaces Selective Provider Contracting Program and cost reimbursement
- Patients:
  - Medi-Cal fee-for-service, CCS only, GHPP only. Not managed care.
- Hospitals:
  - NDPHs: included with dates of admission starting January 1, 2014
  - Designated public hospitals, psychiatric hospitals: excluded
  - All other general hospitals: included with dates of admission starting July 1, 2013
- Services:
  - APR-DRGs to be used for almost all care except psych (counties), rehabilitation (per diem), admin days (per diem)

Aspects of DRG Payment

- **Value purchasing**: DRGs define "the product of a hospital," enabling greater understanding of the services provided and purchased.
  - DRGs reward better diagnosis and procedure coding, which should be complete, accurate and defensible
- **Efficiency**: Because payment does not depend on hospital-specific costs or charges, hospitals are rewarded for improving efficiency
  - Reductions in length of stay, where appropriate, generate savings
- **Access**: Higher DRG payment for sicker patients encourages access to care across the full range of patient conditions.
  - Non-contract hospitals in closed areas may increase Medi-Cal volume
- **Transparency**: Payment methods and calculations on the Internet
- **Administrative burden:**
  - Day-by-day TAR no longer required (except some limited-benefit beneficiaries)

Training on DRG Payment

- Webinars
  - Wednesday, July 10, 9:00-11:00 a.m. General DRG Training
  - Wednesday, July 17, 9:00-10:00 a.m. Rate Setting Overview
  - Thursday, August 1, 9:00-11:00 General DRG Training
  - Thursday, September 5, 9:00-11:00 General DRG Training
- Recorded trainings
  - Providers may access recorded trainings on the Xerox Medi-Cal learning portal (login, then go to Training > Recorded Webinars)
  - June 2013 Provider training webinar:

  https://learn.medi-cal.ca.gov/_ngcdfvw/diagnosis_related_group_overview_recorded_webinar.aspx
- In-person seminars – General DRG Training
  - Carson City Provider Seminar, Wednesday, July 17th
  - Monterey Provider Seminar, Wednesday, August 14th
  - Alhambra Provider Seminar, Wednesday, September 18th
  - https://learn.medi-cal.ca.gov/Training/TrainingCalendar.aspx

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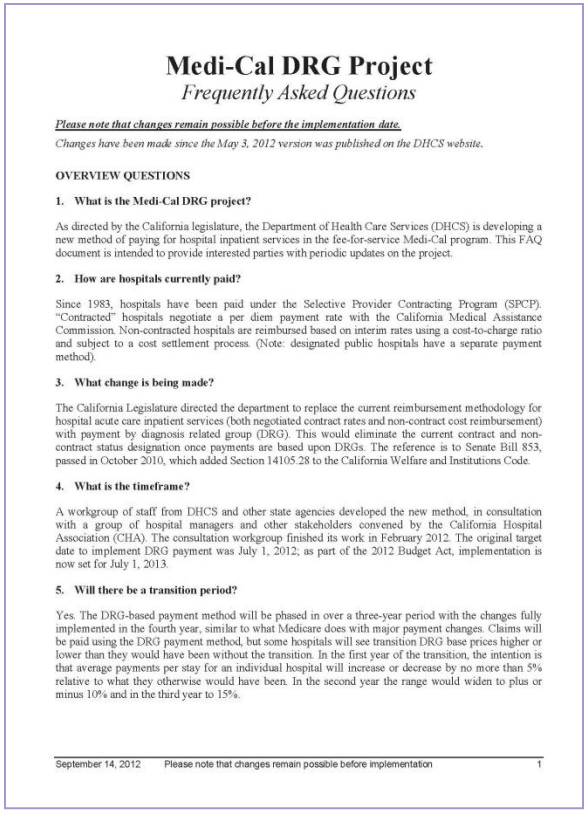
Key Resources

- DHCS webpage devoted to DRG information
  - www.dhcs.ca.gov/provgovpart/Pages/DRG.aspx
- Questions to drg@dhcs.ca.gov
- Join DRG listserve by emailing drg@dhcs.ca.gov

Base Prices: Background Documents



Medi-Cal DRG Project

Frequently Asked Questions

Please note that changes remain possible before the implementation date.

Changes have been made since the May 3, 2012 version was published on the DHCS website.

OVERVIEW QUESTIONS

1. What is the Medi-Cal DRG project?

As directed by the California legislature, the Department of Health Care Services (DHCS) is developing a new method of paying for hospital inpatient services in the fee-for-service Medi-Cal program. This FAQ document is intended to provide interested parties with periodic updates on the project.

2. How are hospitals currently paid?

Since 1983, hospitals have been paid under the Selective Provider Contracting Program (SPCP). "Contracted" hospitals negotiate a per diem payment rate with the California Medical Assistance Commission. Non-contracted hospitals are reimbursed based on interim rates using a cost-to-charge ratio and subject to a cost settlement process. (Note: designated public hospitals have a separate payment method).

3. What change is being made?

The California Legislature directed the department to replace the current reimbursement methodology for hospital acute care inpatient services (both negotiated contract rates and non-contract cost reimbursement) with payment by diagnosis related group (DRG). This would eliminate the current contract and non-contract status designation once payments are based upon DRGs. The reference is to Senate Bill 853, passed in October 2010, which added Section 14105.28 to the California Welfare and Institutions Code.

4. What is the timeframe?

A workgroup of staff from DHCS and other state agencies developed the new method, in consultation with a group of hospital managers and other stakeholders convened by the California Hospital Association (CHA). The consultation workgroup finished its work in February 2012. The original target date to implement DRG payment was July 1, 2012; as part of the 2012 Budget Act, implementation is now set for July 1, 2013.

5. Will there be a transition period?

Yes. The DRG-based payment method will be phased in over a three-year period with the changes fully implemented in the fourth year, similar to what Medicare does with major payment changes. Claims will be paid using the DRG payment method, but some hospitals will see transition DRG base prices higher or lower than they would have been without the transition. In the first year of the transition, the intention is that average payments per stay for an individual hospital will increase or decrease by no more than 5% relative to what they otherwise would have been. In the second year the range would widen to plus or minus 10% and in the third year to 15%.

DRG Pricing Calculator

Medi-Cal DRG Pricing Calculator

Note: This calculator does not reflect final decisions on the structure of the Medi-Cal fee-for-service DRG payment method that will be implemented July 1, 2013. Stays for administrative days and rehabilitation services will not be priced via the DRG method.

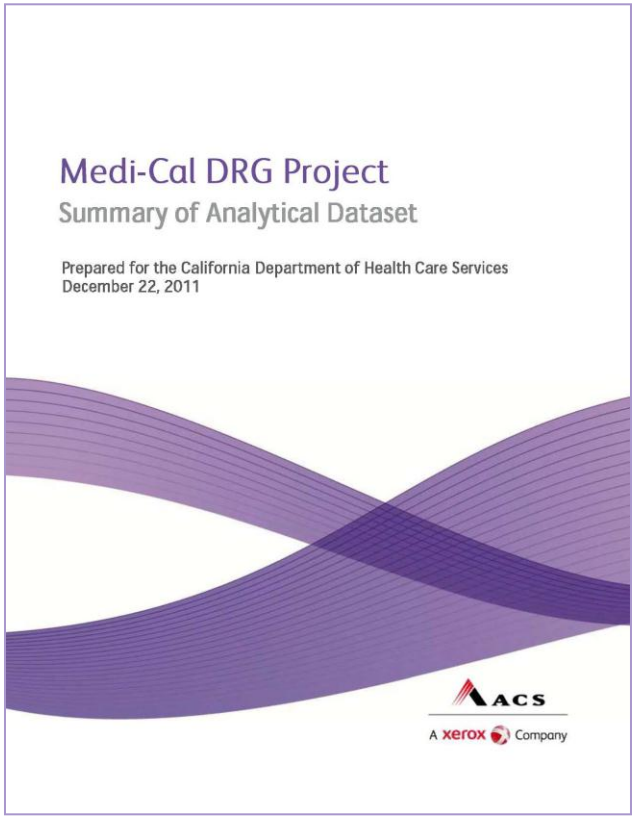
Indicates information to be input by the user. | *Indicates payment policy parameters set by Medicaid*

Information	Data	Comments or Formula
INFORMATION FROM THE HOSPITAL-- TO BE INPUT BY THE USER		
Total charges	$100,000.00	UB-04 Form Locator 47
Hospital-specific cost-to-charge ratio	35.00%	Used to estimate the hospital's cost of this stay
Length of stay	41	Used for transfer pricing adjustment
Patient discharge status = 02, 05, 65 or 66? (transfer)	No	Used for transfer pricing adjustment
Patient age (in years)	15	Used for age adjustor
Other health coverage	$300.00	UB-04 Form Locator 54 for payments by third parties
Patient share of cost	$300.00	Includes spend-down or copayment
Is discharge status equal to 30?	Yes	Indicates an interim claim
Designated NICU facility	No	Policy adjustor for designated NICU facilities
APR-DRG	001-1	From separate APR-DRG grouping software
APR-DRG INFORMATION		
APR-DRG description	LIVER TRANSPLANT &/OR INTESTINAL TRANSPLANT	Look up from DRG table
Casemix relative weight--unadjusted	7.0639	Look up from DRG table
Service adjustor - hospital with designated NICU	1.0000	Look up from DRG table
Service adjustor - all other hospitals	1.0000	Look up from DRG table
Age adjustor	1.2500	Look up from DRG table
Payment relative weight	8.8549	IF E11<21, then if (E15="Yes"), then (E19*E20*E22), else (E19*E21*E22), else if (E15="Yes"), then (E19*E20), else (E19*E21)
Average length of stay for this APR-DRG	6.93	Look up from DRG table
PAYMENT POLICY PARAMETERS SET BY MEDICAID--SUBJECT TO CHANGE		
DRG base price	$7,500	Used for DRG base payment--see DRG base price tab
Cost outlier threshold 1	$40,000	Used for cost outlier adjustments
Cost outlier threshold 2	$125,000	Used for cost outlier adjustments
Marginal cost percentage_1	60%	Used for cost outlier adjustments
Marginal cost percentage_2	80%	Used for cost outlier adjustments
Casemix adjustment factor	1.00	Used to adjust DRG relative weights should a need arise, else leave set to 1.00
Interim claim threshold	29	Used for pricing interim claims
Interim per diem amount	$600	Used for pricing interim claims
IS THIS AN INTERIM CLAIM?		
Is discharge status equal to 30?	Yes	Look up E14
Is length of stay > interim claim threshold?	Yes	IF E30="Yes", then if (E9 > E32), "Yes", else "No", else "N/A"
Skip to E65 for final interim claim payment amount	$24,600.00	IF E36="Yes", (E30*E9) rounded to 2 places, else 0
WHAT IS THE DRG BASE PAYMENT?		
DRG base payment for this claim	$66,411.56	E26*E23*E31
IS A TRANSFER PAYMENT ADJUSTMENT MADE?		
Is a transfer adjustment potentially applicable?	No	Look up E10
Calculated transfer payment adjustment	N/A	IF E41="Yes", then (E39/E24)*(E9+1) rounded to 2 places, else "NA"
Is transfer payment adjustment < allowed amount so far?	N/A	IF E42 ="N/A" then "N/A", else if (E42<E39), then "Yes" else "No"
Allowed amount after transfer adjustment	$66,411.56	IF E43= "Yes", then E42, else E39
IS A COST OUTLIER ADJUSTMENT MADE?		
Estimated cost of this case	$35,000.00	E7 * E8
Is estimated cost > allowed amount	Gain	IF E46 > E44 then "Loss" else "Gain"
High-Side Outlier Payment When Payment Is Much Lower than Cost		
Estimated loss on this case	N/A	IF E47 = "Loss", then (E46-E44), else "N/A"
Is loss > outlier threshold lower limit	N/A	IF E47 = "Loss", then if (E49 > E27), then "Yes", else "No", else "N/A"
DRG cost outlier payment increase 1	$0.00	IF E50 ="Yes", then if (E49<E26), then ((E49-E27)*E29), else ((E26-E27)*E29), else 0
DRG cost outlier payment increase 2	$0.00	IF E50="Yes", then if (E49>E26), then (E49-E26)*E30, rounded to 2 places else 0, else 0
Low Side Outlier Payment When Payment Is Much Greater than Cost		
Estimated gain on this case	$31,411.56	IF E47="Gain", then (E44-E46), else"N/A"
Is gain > outlier threshold	No	IF E47="Gain", then if (E54>E27), then "Yes", else "No", else "N/A"
DRG cost outlier payment decrease	$0.00	IF E47="Gain", then (if (E55="Yes"), then (E54-E27)*E29 rounded to 2 places,
ALLOWED AMOUNT AFTER TRANSFER AND OUTLIER ADJUSTMENTS		
DRG payment so far	$66,411.56	IF E47="Loss", then (E44+E51+E52), else (E44-E56)
CALCULATION OF ALLOWED AMOUNT AND REIMBURSEMENT AMOUNT		
Add-on amount	$0.00	Hospital-specific payment separate from DRG payment (not used at this time)
Allowed amount	$66,411.56	Allowed amount = E58+E60
Other health coverage	$300.00	E12
Patient share of cost	$300.00	E13
"Lesser of" calculation	$66,411.56	Existing policy ensures that payment amount cannot exceed total charges. IF E61<E7, then E7, else E61
Payment amount	$24,600.00	If interim claim (E36="yes"), then interim claim (E37) amount as payment amount. Otherwise, subtract other health coverage (E62) and patient share of cost (E63) from "Lesser of" (E64) to obtain payment amount.

12/19/2012

This calculator spreadsheet is intended to be helpful to users, but it cannot capture all the editing and pricing complexity of the Medicaid claims processing system. In cases of difference, the claims processing system is correct.

CALCULATOR VALUES ARE SUBJECT TO CHANGE BEFORE IMPLEMENTATION JULY 1, 2013.



Medi-Cal DRG Project

Summary of Analytical Dataset

Prepared for the California Department of Health Care Services
December 22, 2011

ACS
A xerox Company

- Available at www.dhcs.ca.gov/provgovpart/Pages/DRG.aspx

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DRG Payment

Non-Designated Public Hospitals

Wage Area	Hospital Name	Designated Remote Rural hospital	Stays used in payment simulation (from CY 2009)
Bakersfield-Delano	Kern Vly Hlthcare Dist	Y	27
Bakersfield-Delano	Tehachapi Hosp	Y	16
California (Rural)	Bear Valley Com Hosp	Y	21
California (Rural)	Eastrn Plumas Hosp-Portola	Y	60
California (Rural)	JCFremont Hlthcare Dist	Y	33
California (Rural)	JPhelps Com Hosp-Humb	Y	12
California (Rural)	Mammoth Hosp	Y	165
California (Rural)	Mendocino Coast Dist Hosp	Y	225
California (Rural)	Modoc Med Ctr	Y	49
California (Rural)	Northern Inyo Hosp	Y	378
California (Rural)	Plumas Dist Hosp	Y	150
California (Rural)	Seneca Hlthcare Dist	Y	25
California (Rural)	Southern Inyo Hosp	Y	-
California (Rural)	Surprise Vly Com Hosp	Y	1
California (Rural)	Trinity Hosp	Y	60
Note: See attached description of simulation methodology			

DRG Payment

NDPHs (2)

Wage Area	Hospital Name	Designated Remote Rural hospital	Stays used in payment simulation (from CY 2009)
El Centro	El Centro Reg Med Ctr	N	2,642
El Centro	Pioneers Mem Hosp	N	3,205
Fresno	Coalinga Reg Med Ctr	Y	38
Hanford-Corcoran	Corcoran Dist Hosp	Y	28
Los Angeles-Long Beach-Glendale	Antelope Vly Hosp Med Ctr	N	5,087
Los Angeles-Long Beach-Glendale	Hi-Desert Med Ctr	Y	968
Modesto	Oak Vly Dist Hosp	N	403
Oakland-Fremont-Hayward	Doctors Med Ctr-San Pablo	N	467
Redding	Mayers Mem Hosp	Y	164
Riverside-San Bernardino-Ontario	Colorado Riv Med Ctr	Y	43
Riverside-San Bernardino-Ontario	Mountains Com Hosp	Y	134
Sacramento-Arden-Arcade-Roseville	Tahoe Forest Hosp	Y	467
San Diego-Carlsbad-San Marcos	Fallbrook Hosp Dstrct	Y	385
San Diego-Carlsbad-San Marcos	Palomar Med Ctr	N	4,608
San Diego-Carlsbad-San Marcos	Pomerado Hosp	N	606
San Diego-Carlsbad-San Marcos	Tri-City Med Ctr	N	3,793
Note: See attached description of simulation methodology			

DRG Payment

NDPHs (3)

Wage Area	Hospital Name	Designated Remote Rural hospital	Stays used in payment simulation (from CY 2009)
San Jose-Sunnyvale-Santa Clara	Alameda Hosp	N	142
San Jose-Sunnyvale-Santa Clara	El Camino Hosp	N	552
San Jose-Sunnyvale-Santa Clara	Hazel Hawkins Mem Hosp	Y	920
San Jose-Sunnyvale-Santa Clara	Salinas Vly Mem Hosp	N	926
San Jose-Sunnyvale-Santa Clara	Washington Hosp-Fremont	N	1,139
Santa Ana-Anaheim-Irvine	Palo Verde Hosp	Y	431
Santa Ana-Anaheim-Irvine	San Gorgonio Mem Hosp	Y	492
Santa Barbara-Santa Maria-Goleta	Lompoc Hlthcare Dist	Y	184
Santa Rosa-Petaluma	Healdsburg Dist Hosp	Y	28
Santa Rosa-Petaluma	Marin Gen Hosp	N	1,411
Santa Rosa-Petaluma	Palm Drive Hosp	N	33
Santa Rosa-Petaluma	Sonoma Vly Hosp	N	328
Visalia-Porterville	Kaweah Delta Dist Hosp	N	3,496
Visalia-Porterville	Sierra View Dist Hosp	N	2,211
Visalia-Porterville	Tulare Reg Med Ctr	N	1,607
All NDPHs	**46**		**38,160**
Note: See attached description of simulation methodology			

Key Payment Values

Payment Policy Parameter	Value
Statewide base price	$6,223
Statewide base price (remote rural)	$10,218
APR-DRG algorithm and relative weights	V.29 national
Policy adjustor -- neonate at designated NICU hospital	1.75
Policy adjustor -- neonate at other hospital	1.25
Policy adjustor -- pediatric resp, pediatric misc	1.25
Pediatric age	< 21 years old
Transfer discharge statuses	02, 05, 65, 66
Documentation, coding and capture adjustment	3.50%
Wage area adjustments	Per Medicare Aug 2012
Allowed = lesser of calculated payment or charge	Yes
High-side (provider loss) cost outlier threshold 1	$40,000
Marginal cost percentage	60%
High-side (provider loss) cost outlier threshold 2	$125,000
Marginal cost percentage	80%
Low-side (provider gain) cost outlier threshold	$40,000
Marginal cost percentage	60%

Notes

1. Policy adjustors are applied to the relative weight for specific DRGs, with the effect of increasing the relative weight used for calculating payment. "Neonate" refers to specific APR-DRGs for sick newborns.

2. The statewide base price for remote rural hospitals was calculated to equal 95% of cost for remote rural hospitals in aggregate. The statewide base price for all other hospitals was then calculated so that aggregate payments statewide equalled the budget target.

Statewide Totals for NDPHs

	Previous Payment Method		DRG Payment	
	CY 2009 Baseline	FY 2013-14 Baseline	FY 2013-14 No Transition	FY 2013-14 Transition
Stays	38,160	38,160	38,160	38,160
Days	114,336	114,336	114,336	114,336
Charges	$ 737,299,791	$ 950,969,271	$ 950,969,271	$ 950,969,271
Casemix	0.484	0.512	0.512	0.512
Payment	$ 172,073,813	$ 190,949,711	$ 172,114,125	$ 190,984,780
Payment per stay	$ 4,509	$ 5,004	$ 4,510	$ 5,005
Casemix-adj'd pay/stay	$ 9,320	$ 9,770	$ 8,807	$ 9,772
Outlier payments			$ 12,749,646	$ 13,013,861
Outlier payment %			7%	7%

Please Keep in Mind

- NDPH data by hospital are annualized estimates for FY 2013-14
- A hospital's actual experience will depend on volume, casemix, prevalence of outliers, cost per stay, etc.
- In analyzing impacts, averages are more useful than totals
- DRG payments ≈ DRG base payments + DRG outlier payments
  - Outlier payments approximately 17% of Medi-Cal DRG payments
  - Other adjustments (e.g., transfers) affect payment but are less important
- In addition to DRG payments on claims, Medi-Cal makes very substantial supplementary payments to hospitals
- The Medi-Cal and Medicare DRG payment methods are different methods for different populations, using different DRG algorithms
- Unlike Medicare, Medi-Cal will implement the transition by pricing claims under two methods and blending the difference

Hospital-Specific Payment Information

- "Designated NICU" as determined by California Children's Services based on neonatal surgical capacity
- "Designated remote rural hospital" = rural per OSHPD list and at least 15 miles from the nearest hospital with a basic emergency room
- CCR = (1) from the hospital's most recent cost report accepted by DHCS or, if need be, (2) most recent Provider Master File
- Wage area = from Medicare impact file for FFY 2013, including reclassifications where appropriate

Hospital-Specific Information on DRG Payment			
Line	Item	Value	Comment
1	Hospital	Example Hospital	
2	National provider identifier	0123456789	
3	OSHPD identifier	987654321	
4	Designated NICU	N	Affects payment for sick newborns
5	Designated remote rural hospital	N	Affects DRG base price
6	Cost-to-charge ratio used in payment simulation	20.00%	Affects outlier payments
7	Wage area used in payment simulation	Los Angeles-Long Beach-Glendale, CA	Same as Medicare for most hospitals
8	Wage area index value used in simulation	1.2282	Same as Medicare for most hospitals

Utilization Data

- Simulation dataset = CY 2009 Medi-Cal fee-for-service data based on CA-MMIS, OSHPD, cost reports. Two key adjustments:
  - "Inferred newborn" claims for well babies who will be billed separately
  - Estimates made of patients transitioning to managed care
- Documentation by hospital in *Summary of Analytical Dataset*
- Billed charges trended forward to FY 2013-14 by 28.98%
  - Reflects average annual growth from OSHPD data for Medi-Cal patients
- Casemix trended forward to FY 2013-14 by 5.85%
  - Reflects estimates of real growth and growth due to improved documentation, coding and capture of diagnoses and procedures

9	Stays used in payment simulation (from CY 2009)	1,000	Note 1 (see below)
10	Days used in payment simulation (from CY 2009)	4,000	Includes normal newborns; Note 1
11	Casemix -- CY 2009	0.6200	Note 2
12	Casemix -- trended forward to FY 2013-14	0.6563	Note 3
13	Billed charges -- CY 2009	$34,000,000	For the stays in Line 9
14	Billed charges -- FY 2013-14	$43,853,200	Note 4

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Baseline Payment

- Refers to the allowed amount; excludes supplemental payments
- Contract hospitals
  - CY 2009 reflects SPCP payments
  - Trended forward to 7/1/13 per hospital-specific changes in SPCP rates
- Non-contract hospitals
  - CY 2009 = charges x CCR from 2009 audited cost report (or, if necessary, 2009 reported cost report)
  - Trended forward to 7/1/13 at 17.49% (consistent with the Quality Assurance Fee financial model)
- See *Summary of Analytical Dataset* §§2.4, 2.6 re 2009 methodology
- Data for some hospitals have been updated since December 2011.

15	Baseline payment under previous method -- CY 2009	$6,000,000	Note 5
16	Baseline payment under previous method -- trended forward to FY 201	$6,540,000	Note 6
17	*Per stay*	$6,540	Line 16 / Line 9
18	*Per stay, casemix adjusted*	$9,965	Line 17 / Line 12

Determination of Transition Status

- DHCS's primary goal is protecting beneficiary access to care
- In practice, this means buffering the negative financial impacts on hospitals expected to see decreased payments under DRGs
- Transition rates do not apply to hospitals where the financial impact (up or down) is expected to be relatively manageable:
  - Change under 5% (6 NDPHs)
  - Change under $50,000 (7 NDPHs)
  - Fewer than 100 stays and Medi-Cal fee-for-service share < 2% (no NDPHs)
  - Out of state hospitals
  - No Medi-Cal FFS stays in simulation dataset (1 NDPH)
- All other hospitals receive transition base prices in FY 2013-14 with a goal of limiting expected changes to < 5% (32 NDPHs)

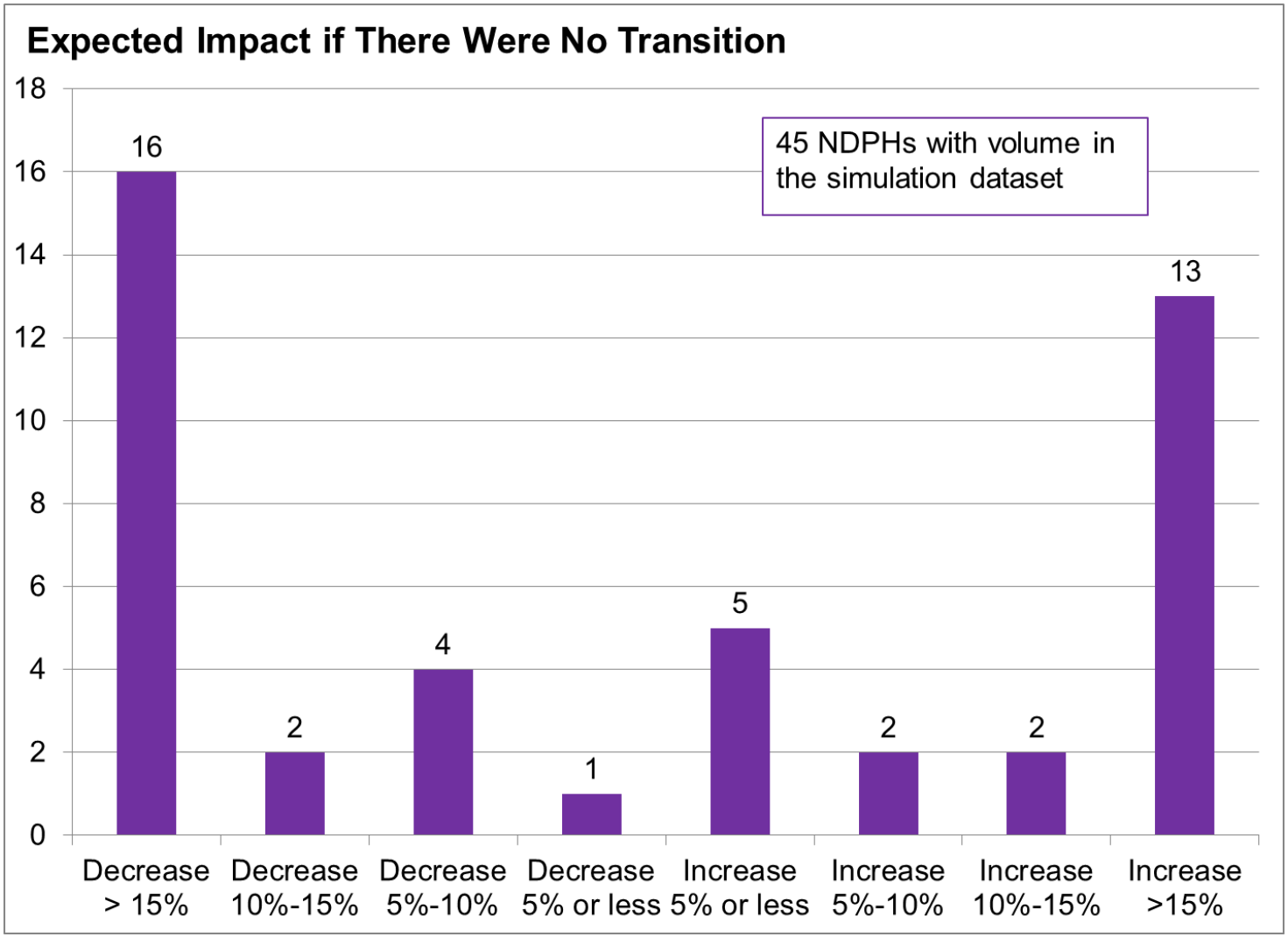
19	Will this hospital receive a transition base price?	Yes--go to Line 21	
20	*Reason why not (if applicable)*		Note 7

Base Price – No Transition

- DRG base price = statewide base price adjusted for wage area
  - L.A. area: ($6,223 x 68.8% x 1.2282) + ($6,223 x 31.2%) = $7,200
  - NDPH base prices would have ranged from $7,200 to $14,999
- DRG payment ≈ DRG base payments + DRG outlier payments
  - Policy adjustors, transfer adjustments, lower-of logic also affect payment
  - See DRG Pricing Calculator for detailed pricing logic
- Outlier payments = about 17% of total payments for all hospitals and about 7% for NDPHs as a group

BASE PRICE – NO TRANSITION			
29	DRG base price	$7,200	Note 11
30	Total DRG payment	$5,700,000	Note 9
31	*Per stay*	$5,700	Line 30 / Line 9
32	*Per stay, casemix adjusted*	$8,685	Line 31 / Line 12
33	Total change from baseline payment	-$840,000	Line 30 minus Line 16
34	Percent change from baseline payment	-13%	Line 33 / Line 16
35	*Outlier payments*	$950,000	Note 10
36	*Outlier payments as a percentage of total payment*	17%	Line 35 / Line 30

Statewide Impact – No Transition



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Statewide Impact – Transition

Count of Hospitals by Expected Impact in FY 2013-14, Relative to Baseline Under Current Payment Method									
	Decrease				Increase				Total
	> 15%	10-15%	5-10%	5% or less	5% or Less	5-10%	10-15%	>15%	Hosps
No Transition									
Impact <5%				1	5				**6**
Impact <$50,000		1	1			1	1	2	**6**
<100 stays & <2% Medi-Cal									**0**
Subtotal no transition	**0**	**1**	**1**	**1**	**5**	**1**	**1**	**2**	**12**
Transition Base Price									
Expected impact if no transition price = decrease > 15%				16					**16**
Expected impact if no transition price = decrease 10-15%				1					**1**
Expected impact if no transition price = decrease 5-10%				3					**3**
Expected impact if no transition price = decrease 5% or less									**0**
Expected impact if no transition price = increase 5% or less									**0**
Expected impact if no transition price = increase 5-10%					1				**1**
Expected impact if no transition price = increase 10-15%					1				**1**
Expected impact if no transition price = increase > 15%					9			2	**11**
Subtotal hospitals with transition base price	**0**	**0**	**0**	**20**	**11**	**0**	**0**	**2**	**33**
Total: All NDPHs	**0**	**1**	**1**	**21**	**16**	**1**	**1**	**4**	**45**

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Transition Base Price

- Calculated iteratively using hospital-specific claims
  - Excluding extreme outliers (i.e., outlier payment > $100,000, which is unusual)
  - Transition base price then applied to all stays, including extreme outliers
  - Floor set so that transitional base price = at least 50% of no-transition price
- NDPHs that would see lower payment: expected decrease 1% or less
- NDPHs that would see higher payment: expected increase 0.5% or less
- Two NDPHs have expected increases > 0.5% if transition base price at floor

TRANSITION BASE PRICE			
21	DRG base price	$8,500	Note 8
22	Total DRG payment	$6,200,000	Note 9
23	*Per stay*	$5,504	Line 22 / Line 9
24	*Per stay, casemix adjusted*	$10,767	Line 23 / Line 12
25	Total change from baseline payment	-$340,000	Line 22 – Line 16
26	Percent change from baseline payment	-5%	Line 25 / Line 16
27	*Outlier payments*	$650,000	Note 10
28	*Outlier payments as a percentage of total payment*	10%	Line 27 / Line 22

Future Year Transition Base Prices

- Range shown in the table is the intention – actual ranges on the upside will be slightly lower to balance transition “savings” and “spending”
- Hospitals will be advised by July 31 of expected base prices for FY 2014-15 and FY 2015-16
- Actual future base prices may differ, based e.g., on changes in appropriations, Medicare wage areas, or other factors.

DRG Year	Fiscal Year	NDPHs	Other Hospitals
1	FY 2013-14	Impact -1.0% to +0.5% relative to Year 1 baseline	Impact -5% to +5% relative to Year 1 baseline
2	FY 2014-15	Impact -5% to +5% relative to Year 1 DRG payment	Impact -5% to +5% relative to Year 1 DRG payment
3	FY 2015-16	Impact -7.5% to +7.5% relative to Year 2 DRG payment	Impact -5% to +5% relative to Year 2 DRG payment
4	FY 2016-17	Full implementation	Full implementation

For More Information

- To request detailed data by hospital: drg@dhcs.ca.gov
  - Level 1 data, at DRG level, requires email from hospital email address from authorized hospital representative (e.g., CFO)
  - Level 2 data, at claim level, requires signed DHCS data use agreement. A DUA previously signed is sufficient, so long as no changes are needed.
- Check www.dhcs.ca.gov/provgovpart/Pages/DRG.aspx for updates
  - Webinars and other trainings
  - Provider bulletins and educational tools (FAQ, pricing calculator)
- Sign up for DRG-specific listserve through drg@dhcs.ca.gov
- Updated provider manual was released June 2013

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